

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 6221

BILL NUMBER: HB 1049

NOTE PREPARED: Dec 7, 2010

BILL AMENDED:

SUBJECT: Environmental Review of Hydraulic Fracturing.

FIRST AUTHOR: Rep. Moses

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: This bill requires a drilling operator that performs hydraulic fracturing on certain Class II wells to submit an environmental compliance plan to the Department of Natural Resources (DNR) for review and approval. The bill requires a drilling operator that performs hydraulic fracturing to disclose chemical constituents used in the hydraulic fracturing process. It requires a drilling operator to disclose proprietary chemical formulas only in the event of a medical emergency.

Effective Date: July 1, 2011.

Explanation of State Expenditures: *Environmental Compliance Plan Review.* The total amount of staff time involved with the review and processing of the hydraulic fracturing plans could vary from between 3.75 hours to 5 working days per application. The anticipated number of plans reviewed on an annual basis is expected to vary between 30 and 60 wells per year.

Rules. The Natural Resources Commission (NRC) must regulate hydraulic fracturing. The commission should be able to adopt rules given its existing level of funding.

Background. The Division of Oil & Gas does not receive funding from the state General Fund, but is funded by a dedicated fund and federal funds. The dedicated fund—the Oil & Gas Fund—receives 70% to 80% of its revenue from the Petroleum Severance Tax. Other sources of revenue for the fund include permit fees assessed when applying for a permit to drill for oil and/or gas. The Division operates on a budget of approximately \$1.3 M.

Explanation of State Revenues: No additional permit revenue is expected because the wells have already received a Class II permit.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: DNR, NRC.

Local Agencies Affected:

Information Sources: DNR

Fiscal Analyst: Bernadette Bartlett, 317-232-9586.